

### The EU-25 in a puzzling state of mind: results from the survey EU-25 Watch No. 2

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# ***IEP Policy Brief***

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## Analysen und Positionen zur Europapolitik

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### **The EU-25 in a puzzling state of mind**

#### **Results from the survey EU-25 Watch No. 2**

Barbara Lippert/Timo Goosmann\*

For the European Union, the troublesome year 2005 ended on an upbeat tone. The somewhat unexpected compromise on the financial perspective 2007-2013 that was reached at the meeting of the European Council in December 2005 will encourage the Union and its 25 members to address the challenges of European integration and its immediate tasks with more confidence.

#### **The future of Europe**

The Union's agenda is shaped by demands of deepening and widening on the background of economic globalisation and transnational threats to security and welfare. After the big bang enlargement of 2004 and the setback in the process of ratifying the Constitutional treaty (TCE) that occurred in spring 2005 the European Union is in a puzzling state of mind. The December 2005 European Council with-

drew its original neutral term "period of reflection"<sup>1</sup> for dealing with the constitutional crisis and re-instated the positive formula "future of Europe"<sup>2</sup> that had been declared at the Laeken summit in 2001. This shall signal that big issues (Why EU? What kind of EU and Europe do we want?) beyond the usual EU-business are at stake. The 25 heads of state and government also acknowledged the importance to follow closely the **"national debates on the future of Europe underway in all Member States"**<sup>3</sup>. This exactly is the underlying idea and purpose of "EU-25 Watch": to learn more about preferences, mind sets and other domestic conditions which shape positions of governments and other actors in the EU arena and which drive European integration.

The recent issue of "EU-25 Watch"<sup>4</sup> sheds light on how key issues like the "Lisbon process" or the "role of the EU in the world" are

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<sup>1</sup> Declaration by the Heads of State or Government of the Member States of the European Union on the Ratification of the Treaty Establishing a Constitution for Europe, European Council, 18 June 2005.

<sup>2</sup> Presidency Conclusions, 15/16 December 2005, paragraph I.

<sup>3</sup> Presidency Conclusions, 15/16 December 2005, point I.5.

<sup>4</sup> IEP (ed.): EU-25 Watch, No. 2, Berlin, <http://www.iep-berlin.de/publik/EU25-Watch/EU-25-Watch-No2.pdf>.

framed, debated and addressed in the 25 member states and in four acceding/candidate countries (Bulgaria, Romania, Croatia and Turkey). Regularly, authors not only refer to policy makers but also to pressure groups and the media, thus giving a comprehensive insight into nation-

nal discourses and current as well as upcoming issues. Out of the richness of information and interpretations and the many details that are given from the perspectives of 29 countries four general observations shall be put forward for further discussion:

- **Heterogeneity and diversity** of preferences, conditions and capacities is a dominant feature of the EU-25. Member states are currently going through **different cycles of modernisation and adaptation**. The diverse and uneven implementation of the Lisbon strategy is a case in point. While old member states like France, Germany and Italy are particularly slow, countries like the Nordics and other **newcomers** with a recent history of Europeanisation via membership are on **path of reform and still have an impetus** for change that others lack. Expectations are high that the EU should combine **competitiveness** with **social security and solidarity**.
- Across the EU a **gap between the citizens and the political class** is widening. Considering the lack of trust it is not enough for European leaders to go on with business as usual, especially since the political crisis is widely interpreted as a **crisis of leadership** at both national and EU level. The future of the **TCE** is open, a **wait and see** attitude is prevalent in most member states.
- **Consolidation and limits of the EU** in political, functional and also geographic terms is becoming a major concern in member states. **Enlargement fatigue** sweeps through old member states.
- European integration is currently largely **driven by external factors** that set priorities of action for the EU. However, an attractive **integration project** à la single market or EMU is **missing** that would strengthen internal political cohesion of the EU.

To draw a picture that captures the whole of the EU-25 and come to overall conclusions from this analysis is difficult. We have to simplify and generalise from country specifics in order to crystallise trends and patterns in the EU-25. Readers are invited to follow their own guiding questions and make comparisons between the member states. In the future we will surely need to devote more time to understand what is going on in the member states and how Europeanisation works both ways, down from and up to the EU-level, thus making sense of the puzzling state of the Union.

## Heterogeneity and diversity

After the accession of ten more member states the EU became **bigger and more diverse**. While a trivial fact in itself, the implications of this growth in membership are manifold and deserve further empirical investigation and academic explanations.<sup>5</sup> One example for het-

erogeneity inside the enlarged EU are different levels of prosperity, varying preferences with regard to policy choices and basic orientations towards European integration.<sup>6</sup> The size of population and economy as well as geographic location and political/cultural identities play an important role in determining positions of EU governments.

**Heterogeneity and diversity** are to some extent an issue of old/new member states, but not simply an East/West issue if one also takes into account previous rounds of enlargement. New member states enter the EU on a path of reform and adaptation. Given the broadness of the Union's *acquis* the scope and depth of this specific form of "**Europeanisation**" (adapting to EU demands in individual ways) impacts on the whole of the politico-administrative and economic order and has some serious social consequences too.<sup>7</sup> Successful membership

<sup>5</sup> This is a core question for EU-CONSENT, especially regarding the mutually reinforcing effects of deepening and widening of the EU. For the development of sets of expectations concerning past and future integration of Europe cf. <http://www.eu-consent.net/content.asp?CatId=259&ContentType=Projects>, latest access 9 January 2006.

<sup>6</sup> Compare for example the Italian and Estonian contribution to EU-25 Watch. The survey contains 29 country reports (308 pages). The pdf document is navigable so that respective countries or questions can easily be found.

<sup>7</sup> Cf. Lippert, Barbara / Umbach, Gaby: The Pressure of Europeanisation. From post-communist state administrations to normal players in the EU system, Baden-Baden: Nomos Verlagsgesellschaft, 2005.

mostly depends on continuing the adaptation and reform process after accession, even if the pace slows down and priority measures are reconsidered, as it seems to be the case in Hungary for example.<sup>8</sup>

#### *Challenges of globalisation – country constellations*

Considering how the 25 member states respond to the **challenges of globalisation**, the completion of the internal market with its increased competition also among member states and to the functioning of the Monetary Union we can currently observe the following **constellations**:

Interestingly, among the most successful<sup>9</sup> EU members are the **EFTA countries** (Finland, Sweden and Austria) that joined the EU in 1995 – the enlargement previous to the 2004 round. Their reform tracks date back to the nineties when they introduced public sector reforms, focusing in fields such as social security, the labour market and research and development, both prior to and after their membership. However, the example of the likewise successful Denmark proves that it is not simply an issue of old/new members. It appears that the Nordic countries – with their typical, however not uniform, social model that is based on high levels of taxation as well as social security payments – are perceived as positive examples of coping with change throughout the EU. The so called “flexicurity”<sup>10</sup> is often referred to by authors as a point of orientation for their countries’ strategies.<sup>11</sup> There are some important conditions for the success: The Nordic countries have comparatively small and very open economies with a distinct mix of high educational standards, a high labour productivity, a good ability to adapt in international competition, an efficient administration and an appropriate resource management that combines with high levels of social cohesion

and a (still relatively) high share of government expenditure in GDP.

Among the better performing countries of the EU are also the **UK, Ireland and Spain**. The UK thinks of itself as the “master pupil” that has no basic problems in implementing the Lisbon agenda,<sup>12</sup> given its track record from Thatcher to Blair in deregulation, the approach “from welfare to work” and other reforms described as the “Third Way”.

Ireland, and to some extent also Spain, are two countries that benefited (and particularly Ireland still does) from a probably overly generous structural/agricultural policy and that combined these EU transfers with a course of modernisation that is viable and constantly produces growth.<sup>13</sup> Interestingly, as far as the mental shape and economic conditions are concerned, these countries – government and population alike – seem less frightened to cope with an environment of global and European competitors.

At the other end of the spectrum we meet **stagnant economies** and slow reforms of the welfare systems (pension, health, social security system reforms) in the founding countries, notably in **France, Germany<sup>14</sup> and Italy**. Given the economic weight of the three as the economic “powerhouse” in the West of the EU (combined with the South of the UK) their performance is crucial for the entire EU. While there is a general awareness of the economic obstacles among policy makers within the three countries, the scope of the reforms differs significantly, as well as the level of support for the objectives of the Lisbon Agenda. For example, the French report states that “in France, the Lisbon Agenda is not very well known and not very well considered. It is mainly an inter-governmental process, and, as such, is often regarded as a sign of the loss of influence of

<sup>8</sup> Cf. the Hungarian chapter on the Lisbon Agenda (question 4).

<sup>9</sup> In terms of the Lisbon ranking (general economic background, employment, innovation and research, economic reform, social cohesion and environment). Cf. European Commission: Structural indicators. Update of the Statistical Annex (annex 1) to the 2005 Report from the Commission to the Spring European Council, Brussels, 11 March 2005, [http://europa.eu.int/growthandjobs/pdf/statistical\\_annex\\_2005\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/statistical_annex_2005_en.pdf), latest access 9 January 2006.

<sup>10</sup> Cf. the Danish chapter on the Lisbon Agenda (question 4).

<sup>11</sup> Cf. for example the Turkish and Estonian chapters on the Lisbon Agenda (question 4).

<sup>12</sup> Cf. the United Kingdom’s chapter on the Lisbon Agenda (question 4).

<sup>13</sup> While Spain’s growth rate (3,1% in 2004) is high, also the unemployment rate settled on high levels of 11% (2004), cf. [http://epp.eurostat.cec.eu.int/portal/page?\\_pageid=1133,47800773,1133\\_47803568&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.cec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL), latest access 9 January 2006.

<sup>14</sup> In some respect, Germany probably has to be considered as a special case. The heritage of unification burdens German economy and the tax payers. Annually still about 4 per cent of its GDP is transferred to the new *Länder*.

traditional French views on Europe. It is widely regarded as a British invention.”<sup>15</sup>

In the spectrum marked on one side by dynamic and on the other by rather stagnant countries, the **new member states** are located **in between**. They do not follow one and the same approach<sup>16</sup>, but they share basic orientations and conditions of countries that have undergone a comprehensive pre-accession and modernisation course and are still on a path of reform and catching up.<sup>17</sup> Like many Western European and Mediterranean countries they lean towards corporatist and/or clientelist social models that look for a balance between efficiency and solidarity. Thus they demand high transfers from the EU budget for the agricultural sector, for reducing regional and social disparities and for investment in infrastructure. However, for catching up with the comparatively wealthy and robust economies of the old EU-15 they try to make use of their comparative advantages to the full. That is why – for the time being – they are also in favour of a liberal agenda, why they support the freedom of services based on the country of origin principle, why many are reluctant to get chained by a working time directive,<sup>18</sup> and why they try to attract FDI through low taxes and simple tax systems etc.

On this background we conclude that the member states are currently going through different cycles of modernisation and adaptation so that there is a lack of simultaneity. This hampers any substantial agreement on concrete measures and effective programmes at EU-level. A good example to illustrate this point is the Lisbon process.

#### *Lisbon – shared goals but no drive*

The goals of the Lisbon process are widely shared among the members of the EU. Given the diverse contexts, traditions and models of social systems, labour market policy etc. the EU preferred coordination (by means of the rather loose method of open coordination) over legal harmonisation or other legally binding impositions and sanctions. The **results** so far

**are meagre**, and where there is improvement it is not linked to incentives from the Lisbon process or perceived in this context. Everywhere in the EU member states are making **additional efforts** to increase growth and improve employment strategies.<sup>19</sup> They are aware of the fact that the national, not the EU level is key so that they refrain from claiming a more pro-active approach of the EU, notwithstanding some support for spending more money from the EU budget on “Lisbon activities”. There is also a common understanding with regard to the priorities and key sectors like education, knowledge-based industries etc. However, there are very different experiences and preferences with regard to the ways to achieve these goals and at which social costs.<sup>20</sup> This is also reflected in many authors’ analyses of the negative outcome of the referenda on the Constitutional Treaty in France and the Netherlands.<sup>21</sup>

The attitudes towards two directives which are currently debated in the EU – the **services directive and the working time directive** – show the differing cost/benefit analyses and diverse effects that are expected from the implementation. It also shows that the level of commitment and participation of non-governmental actors (social partners) and national parliaments in the formation of a political position of the governments varies considerably among member states: The contributions within “EU-25 Watch” suggest that it is generally more significant among the “old” members while especially in many of the ten member states that acceded the EU in 2004 official government positions seem to dominate.<sup>22</sup> For the EU, it will become crucial to assess and explain the likely **social fallout** and the overall impact of any piece of legislation as far as member states, economic sectors, social and professional groups and others are concerned. This information, provided for namely

<sup>15</sup> Cf. the French, German and Italian chapters on the Lisbon Agenda (question 4).

<sup>16</sup> Compare for example Slovakia with Hungary.

<sup>17</sup> See for example Estonia and Latvia that are inspired by Anglo-Saxon models, which others, like Hungary are not.

<sup>18</sup> Cf. the Estonian, Slovak and Slovenian chapters on the Lisbon Agenda (question 4).

<sup>19</sup> Take the Slovak Minerva project as an example, cf. the Slovak chapter on the Lisbon Agenda (question 4).

<sup>20</sup> Some authors refer to this debate in the context of „social dumping“, cf. the Austrian, Belgian, German, Luxembourgian and Portuguese chapters on the Lisbon Agenda (question 4).

<sup>21</sup> Cf. for example the Croatian, Finnish, French, Irish and Slovenian chapters on the Constitutional crisis (question 1).

<sup>22</sup> This becomes apparent comparing e.g. the Danish, Finnish, German and Italian chapters on the Lisbon Agenda (question 4) with the respective answers from e.g. Estonia, Hungary, Latvia and Poland.

by the Commission, will certainly influence the formation of national positions and also of transnational actors.

#### *Financial framework – little innovation*

From the country reports, written before the European Council reached an agreement on the **financial framework 2007-2013**, one could already conclude that the vast majority of member states was prepared to accept the Luxembourg proposal of 15 June 2005 as the basis for further negotiations. This implied a far lower budgetary ceiling (1,06% of GNP) than originally proposed by the Commission (1,21% of GNP), a preservation of the 2002 agreement on the ceiling for CAP expenditure and – on the income side – a reduction of the British rebate. On the expenditure side room of manoeuvre existed more or less under the appropriations “Competitiveness for growth and employment”, “The EU as a global partner” and, because of its sheer volume, under the appropriation “Cohesion for growth and employment”. Notwithstanding the general sympathy to direct EU resources towards the Lisbon goals (create new and better jobs, improve competitiveness on a global scale) and concede priority to fund R&D projects, the proposal backed by France and the UK to establish a globalisation fund was greeted with little enthusiasm.<sup>23</sup>

The **new member states** in particular were interested in a **timely compromise** within the British presidency (2005), fearing that otherwise payments would be postponed considerably and probably millions of Euro could be lost. Their interest in a quick deal was stronger than considering at this point the arguments for a fundamental restructuring of the budget on the expenditure side and a consistent own resources mechanism. The Maltese answer to question 3 on the financial framework reflects this attitude: “The government and opposition [...] have argued that a compromise agreement is better than no agreement at all.” Moreover, there was little innovative thinking and new proposals around. Many perceived these negotiations as a *déjà vu* of the Agenda 2000, however with a different constellation of member states. Any agreement had to bridge the notorious cleavages between the net recipients and

the net contributors. As political and media reactions across Europe have shown the agreement reached at the European Council in December 2005 is largely appreciated and met with relief, but it does not show real innovations.

The bargaining over the financial framework proved that for the EU (level) it is becoming increasingly difficult to produce a coherent and convincing output. Considering the constellation of member states described above **coalition-building** is volatile and will certainly remain a big issue for all governments. In a bigger and more diverse EU the complexity of problems and solutions increase. Thus diversity and heterogeneity aggravate the **legitimacy/efficiency dilemma** of the EU. The upgrading of the common interest – which should be more than the agglomeration of the interests of the 25 – is highly demanded yet it is hard to achieve.

When asked about upcoming issues on the national agenda that might over time also be uploaded to the EU level or influence decisions taken there often issues linked to the Lisbon agenda are identified by the authors like employment<sup>24</sup>, competitiveness<sup>25</sup>, decentralisation<sup>26</sup> and the preparation for the Euro-zone<sup>27</sup> in the case of the new members.

The capacity to act also influences the EU's acceptance among the citizens of its member states.

#### **Citizens and political elite – the gap is growing**

The fact that some governments are particularly open minded towards globalisation, opposed to define stricter rules to govern globalisation and also to regulate the internal market does not mean that this approach is shared by the majority of the citizens nor that the socio-economic situation of that particular country is

<sup>23</sup> Cf. the Danish and Slovak chapters on the financial framework (question 3) and the Belgian and Latvian chapters on priorities and perspectives of the EU (question 7).

<sup>24</sup> Cf. for example the Austrian, French, Hungarian, Italian, Luxembourgian, Portuguese, Slovenian and Turkish chapters on Upcoming Issues and Events (question 6).

<sup>25</sup> Cf. for example the Croatian, Estonian, Finnish, German and Irish chapters on Upcoming Issues and Events (question 6).

<sup>26</sup> Cf. for example the Slovenian chapter on Upcoming Issues and Events (question 6).

<sup>27</sup> Cf. for example the Cypriot, Czech, Latvian, Lithuanian, Maltese, Polish and Slovak chapters on Upcoming Issues and Events (question 6).

at ease. Take the case of Estonia: The government and political class reassure EU-partners – “We like globalisation”<sup>28</sup> – while income disparities are high, the GDP per capita is still among the lowest among the EU-25<sup>29</sup> and unemployment was above 9% in 2004.<sup>30</sup> Another example is Slovakia: While the government receives a remarkable degree of acclaim considering its reform strategy<sup>31</sup> social exclusion still constitutes a major obstacle and unemployment even remained above 18% in 2004.<sup>32</sup>

#### *Expectations-capabilities gap*

This might indicate a **growing divide between the political classes in the new member states and the citizens** and indicate an upcoming problem also for the EU as a whole. The centrist programme of the party Law and Justice (PiS) in Poland (winner of parliamentary and presidential elections) signals the return of a more state interventionist, etatistic governance approach, focusing on an active role of the state in social and employment policy. This goes together with **concerns over good governance**, a challenge also for some old EU member states. In the chapter on upcoming issues and events in each member state (question 6) the contributors describe a number of critical issues of governance in the respective countries. On one hand, many issues are framed by domestic agendas, but a number of core topics such as competitiveness, the fight against unemployment, health care and retirement/pensions can be observed in many countries as all European concerns

Overall, **public opinion** in the EU-member states is **more sceptical and status quo oriented** than the political class. This may be one reason why better leadership is demanded by so many commentators and policy makers,<sup>33</sup> among them Tony Blair as can be found in the

United Kingdom’s contribution: “The crisis should be seen as one of political leadership in general: neither at the national nor the European level have politicians been providing the answers that the people are demanding as a response to economic and social change.”<sup>34</sup> In the Finnish chapter on the constitutional crisis the authors characterise the crisis “as a failure of the European leadership in listening and relating to the wider public.”<sup>35</sup> The Hungarian report goes even further, stating that “European integration is desperately missing political leadership and visions of the future. One can say that the highest ranking politicians of the member states ‘betrayed’ Europe, since they do not perceive the EU any more as an excellent historical opportunity to solve problems and face challenges in common, but rather as a battlefield of clashing national interests.”<sup>36</sup>

However, if there is a consensus, it is that “the EU” should find the ideal way to **combine competitiveness with social security**. In this sense and despite the many types of social models and their variations that exist in the EU, the authors point out a marked difference to the USA. It has often been concluded that citizens (and increasingly politicians as well) are ambivalent whether the EU is part of the problem or part of the solution of challenges like globalisation. This seems to be more than a question of better communication, it is also a question of clear cut analysis. Political actors (also EU institutions) have to know and explain to what extent there is an added value of involving the EU or transferring competencies to the EU in a given policy field. This is even more difficult in times when citizens lack trust in the institutions of the EU.

At the same time the EU is also confronted with high expectations about what it should<sup>37</sup> do so that the EU risks a **growing expectations/capability gap**. The debate about the constitution and the demand for a “social Europe” illustrates these contradictory expectations and the gap between competencies of the

<sup>28</sup> Prime Minister Andrus Ansip at Hampton Court, cf. the Estonian chapter on the priorities and perspectives of the EU (question 7), EU-25 Watch No. 2, p. 291.

<sup>29</sup> Even though the GDP per capita in Purchasing Power Standards in percent of the EU-25 average has risen from 41,2% (2000) to 51,5% (2004).

<sup>30</sup> Cf. [http://epp.eurostat.cec.eu.int/portal/page?\\_pageid=1133,47800773,1133\\_47803568&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.cec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL), latest access 9 January 2006.

<sup>31</sup> Cf. the Slovak chapter on the Lisbon Agenda (question 4).

<sup>32</sup> Cf. [http://epp.eurostat.cec.eu.int/portal/page?\\_pageid=1133,47800773,1133\\_47803568&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.cec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL), latest access 9 January 2006.

<sup>33</sup> Cf. e.g. the Belgian, Croatian, Finnish, Greek, Hungarian, Slovak and the UK chapters on the Constitutional Crisis (question 1).

<sup>34</sup> Cf. the UK chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 103.

<sup>35</sup> Cf. the Finnish chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 48.

<sup>36</sup> Cf. the Hungarian chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 62.

<sup>37</sup> See contributions to question 7 (reinventing the European social model/cope with globalisation), e.g. from Hungary.

EU and public expectations. This is reflected in statements like the one from the Belgian State Secretary for European Affairs, Didier Donfut, who according to the Belgian contribution believes “that Europe’s citizens do not see the Union bringing any solution that is decisive for guaranteeing their existence. They have increasing expectations with regard to Europe, but many have the impression that Europe is becoming a problem rather than a solution for their interests in unemployment, social vulnerability, environmental deterioration, climate change, de-industrialisation and increased energy costs.”<sup>38</sup>

#### *Constitutional and political crisis of the EU*

While the notion “crisis” is widely accepted to describe the EU after the negative referenda and the failed summit of June 2005, the governments of the 25 responded calmly and were **eager to de-dramatise the situation**. They interpreted the “non” and “nee” as being more than an accident but less than a catastrophe, they called it a “setback”<sup>39</sup>, a “warning”<sup>40</sup> or a “wake-up call”<sup>41</sup> rather than a “turning point” in European integration. However, in media and academic commentary and probably also behind closed doors cabinets and party circles discuss the extent of this crisis with more intensity and critical objectivity. To some the EU is at a critical juncture of the European integration process while others feel reminded of the traditional ups and downs in the process of integration.<sup>42</sup>

Most actors (probably including the citizens) are at a loss about how to make sense of the crisis and how to overcome it, i.e. how to exploit the chances offered by the wake up call. Those who voted negatively or did not vote at all did not send an unambiguous message: Their reasons rooted in the domestic economic and political situation – aspects that are intensively analysed in the chapter on the constitutional crisis (question 1) – and echoed a growing estrangement vis-à-vis the EU. The image

of the EU as a stronghold to cope with the challenges of the future is diminishing.

As already pointed out above, many contributors to “EU-25 Watch” No. 2 interpret the constitutional crisis as a **crisis of leadership**. Apparently, governments are hesitant how to respond to the significant degree of discontent. To go on as if nothing had changed – an option provided for by the bureaucratic machinery (on all levels of the EU) that continues to work as a matter of routine – is perceived as a disregard of those who said “no”. A minority of the authors argues that the TCE is dead and cannot be saved. The Polish report contains a statement of the leader of the ruling Law and Justice party, Jaroslaw Kaczynski, who claims that the whole idea of the reflection period unnecessarily prolongs the crisis: “We should accept that the constitutional treaty was rejected, the Nice Treaty is in force and if we were to discuss a long term solution of the institutional problems we should start from the scratch”.<sup>43</sup> Similar points of view can be drawn from the UK chapter on the constitutional crisis (question 1).

More frequent is a **“wait and see attitude”**<sup>44</sup> and the impulse rather than the strategy to shelve the TCE or, as formulated in the Hungarian report, a “hibernation”<sup>45</sup> of the document. This is not only an expression of the need for reflection and orientation. It also reveals that a consistent idea or programme for an alternative and different EU is missing. That is also the reason why many shy away from obvious alternatives, be it cherry picking, re-writing and /or re-organising parts of the TCE or starting it all over again from the Nice treaty.<sup>46</sup> Also the core-Europe and other flexible arrangements of “25 minus x” that shall help govern an ever larger EU gain little support from governments and citizens alike.

The slow start of the period of reflection in the member states underlines that a glue is missing but also that the **shock is not as productive in terms of original thinking** as hoped for. Some

<sup>38</sup> Cf. the Belgian chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 24.

<sup>39</sup> Cf. e.g. the Finnish, Lithuanian, Slovak and the Slovenian chapters on the Constitutional Crisis (question 1).

<sup>40</sup> Cf. e.g. the Bulgarian and Croatian chapters on the Constitutional Crisis (question 1).

<sup>41</sup> Cf. e.g. the Austrian, Cypriot, Irish and Latvian chapters on the Constitutional Crisis (question 1).

<sup>42</sup> Cf. e.g. the Croatian, Danish, Greek, Hungarian and Lithuanian chapters on the Constitutional Crisis (question 1).

<sup>43</sup> Cf. the Polish chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 84.

<sup>44</sup> Cf. the Finnish and Swedish chapters on the Constitutional Crisis (question 1).

<sup>45</sup> Cf. the Hungarian chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 63.

<sup>46</sup> Cf. e.g. the Belgian, Danish, Dutch, German, Hungarian, Irish, Portuguese and Romanian chapters on the Constitutional Crisis (question 1).



experiences are disastrous, like the one in the Netherlands where after the rejection of the TCE a broad public debate was supposed to be launched, but eventually had to be stopped even before the start due to disagreement between political parties, the government and the parliament regarding the question who would chair the debate.<sup>47</sup> Also in other member states it has proven to be very difficult to engage citizens in a public debate on TCE contents.<sup>48</sup>

Bearing in mind all these aspects one could ask: Is the so called constitutional crisis an episode rather than a critical juncture? Probably only historians will tell us, but there is a **danger in just going on with business as usual**. One of the reasons why the EU ran into the 'referenda trap' is that it underestimated latent medium term developments and ignored processes of declining legitimacy and diminishing levels of mutual trust among the member states.<sup>49</sup> So far the reflection period has shown that taking into consideration the widening gap between citizens and the political elite an intense public debate cannot simply be launched by decree and that trust in the EU cannot be restored by PR means.

## Consolidation and limits of the Union

Recently in many member states and also the European Parliament, a debate on the **limits of the EU** has started and gained momentum after the negative referenda in France and the Netherlands. Limits refer to the EU's scope of activities, competences and geographic boundaries internally<sup>50</sup> and externally. It is again a subject of diversity and heterogeneity in the EU. The official term in Euro-speak is "**consolidation**".<sup>51</sup>

<sup>47</sup> Cf. the Dutch chapter on the Constitutional Crisis (question 1).

<sup>48</sup> Cf. e.g. the Bulgarian, Cypriot, Czech, Maltese, Romanian, Slovak and Turkish chapters on the Constitutional Crisis (question 1).

<sup>49</sup> Moreover, public opinion is not without contradictions. Subsequent to the referenda in France and the Netherlands or other countries like Luxembourg no social or other popular movement against the EU or for a different EU appeared.

<sup>50</sup> This aspect was not directly addressed in the questions. However, there is some reference made in the answers to question 1, e.g. concerning ways out of the crisis or TCE innovations that should be implemented based on the Nice Treaty.

<sup>51</sup> Regarding the use of the term "consolidation" cf. e.g. the following press release: European Commission: Consolidation, Conditionality, Communication – the

Apparently the EU that now encompasses the largest part of the continent needs to **reflect upon its limits also in geographic terms**. There is not one government that straightforwardly argues that the EU should definitely answer where it should end. However, formally the EU has not entered into any further commitments that go beyond the four countries that are also covered by the "EU-25 Watch" (Bulgaria, Romania, Turkey and Croatia) and the rest of the Western Balkans that have a "European perspective" as well as the leftover EFTA countries. This would add up to a Union of around 35 member states, depending on the future splits in post-Yugoslavia. Notwithstanding the affirmation of consolidation (and of the criteria as far as the qualification for membership is concerned), as in the past, proximity and ties with non-EU neighbours determine preferences of members to pave the way for their neighbours to join the EU in the future. Ukraine<sup>52</sup> and Moldova<sup>53</sup> are obvious candidates for this line of thinking.

There is however no movement inside the EU for shutting the door to others forever. Moreover, the reports show a strong sense to keep the promise and stick to the signed treaty on accession with Bulgaria and Romania,<sup>54</sup> despite concerns as to the fitness of these countries in political and economic terms. That is one reason why many reports now refer to a strict observance of the Copenhagen criteria and also refer to the capacity of the Union to absorb new members without losing its dynamic. **A change is underway** that acknowledges the need of consolidation and functioning of the already big EU rather than promoting expansion further and further to the East. **Enlargement fatigue** sweeps through the EU. For the time being this assessment is more frequent in the old EU<sup>55</sup>, among the six original members in particular, than in the new

strategy of the enlargement policy, IP/05/1392, 09.11.2005.

<sup>52</sup> Cf. the Polish chapter on the Future of EU Enlargement (question 2).

<sup>53</sup> Cf. the Romanian chapter on the Future of EU Enlargement (question 2).

<sup>54</sup> The two countries fear a negative spill over by connecting the ratification of the TCE with their accession. Cf. the Bulgarian and Romanian chapters on the Future of EU Enlargement (question 2) as well as respective contributions from Turkey and Croatia.

<sup>55</sup> Cf. the Danish, Dutch, Finnish, French, German and Luxembourgian chapters on the Future of EU Enlargement (question 2).

member states (citizens and governments), however this might change over time. Up to now the European Neighbourhood Policy (ENP) as a framework and concept to effectively deal with third countries in the neighbourhood, excluding the membership question, has not gained momentum yet. Poland in particular is a fervent promoter of an active Eastern policy including a membership perspective.<sup>56</sup> Some suspect this stance as being essentially containment policy vis-à-vis Russia and a strategy to dismantle the rest of the post-soviet sphere with the feeble promise that the EU is filling in the vacuum. With regard to the EU's policy towards Russia and other post-Soviet states (e.g. in the Southern Caucasus) a field for controversies and conflicting interests and perceptions among old and new Central and Eastern European member states seems to be taking shape.

**Turkish membership is not as controversial any more** as it already has been. Even in Germany and Austria the debate cooled down. Assessments differ whether Turkish membership will overstretch and overburden the EU, also concepts about the future of the EU and the balance between deepening and widening differ as has been laid down above. The ways to manage migration or to deal with multiculturalism and with Islam in particular will continue to be discussed across the EU, however most intensively in old member states which up to now have been the main target countries of migrants. The EU is only one framework of reference in these discourses and for many member states not the primary one.<sup>57</sup>

It still seems too early to assess the impact of the 2004 enlargement on old and new members. The extent of public attention and political debate with regard to the integration of ten new members is limited. This also signals that no major frictions and disruptions neither of the internal market nor in other fields have been observed so far. The transition periods and terms of accession seem to work fine, irrespective of whether they are convincing from a political and economic point of view. Thus new member states criticise the restrictions for the free movement of workers. Only Sweden, Ireland and the UK opened their labour mar-

kets and are quite happy with the results.<sup>58</sup> The German government insisted on a transition period of as long as seven years and the grand coalition will probably apply this maximum period.<sup>59</sup> The apparent **success** of Eastern enlargement does not produce political momentum to continue this line.

### The importance of external factors and the absence of an attractive integration project

Citizens and governments alike support more Europe in a sense that **more collective action and representation of the Union is welcome in the least integrated fields**, the CFSP/ESDP and issues of internal security like fighting terrorism and international crime.<sup>60</sup> This does not necessarily correspond with claiming a transfer of competencies, a European army or border control. But these are surely the most dynamic areas, where **European public goods** should increasingly be provided by the EU for the member states. Also the new members discover the **added value of CFSP and also ESDP**.<sup>61</sup> This is an interesting process for countries that generally favour a strong transatlantic link and that see NATO, i.e. the USA, as the primary provider of their security.

The **European Security Strategy** is a document where strategic interests of the 25 converge. It is perceived as a good basis for a global and significant role of the EU. However, potentially controversial issues include: Russia<sup>62</sup>, Eastern Neighbours<sup>63</sup>, regionalisation of the CFSP<sup>64</sup>, multi-speed/directoire tenden-

<sup>58</sup> Cf. the Irish, Swedish and the UK chapters on the Future of EU Enlargement (question 2).

<sup>59</sup> This can be explained by sector-specific economic implications of EU enlargement in Germany as well as with cases of misuse regarding the freedom to establish a business, cf. the German chapter on the Future of EU Enlargement (question 2).

<sup>60</sup> Cf. e.g. the Bulgarian, Czech, French, Greek, Italian, Latvian, Luxembourgian and Maltese chapters on the EU's Role in the World (question 5).

<sup>61</sup> Cf. e.g. the Cypriot, Estonian, Hungarian, Latvian and Lithuanian chapters on the EU's Role in the World (question 5).

<sup>62</sup> Cf. e.g. the Estonian and Latvian chapters on the EU's Role in the World (question 5).

<sup>63</sup> Cf. especially the Polish chapter on the EU's Role in the World (question 5).

<sup>64</sup> Cf. e.g. the Maltese and Portuguese chapters on the EU's Role in the World (question 5).

<sup>56</sup> Cf. the Polish chapter on the EU's Role in the World (question 5).

<sup>57</sup> Cf. the Italian chapter on the Future of EU Enlargement (question 2).

cies (EU-3)<sup>65</sup>, export of democracy<sup>66</sup> and the NATO-EU-relationship.<sup>67</sup>

There is a lot of sympathy for institutional reforms as entailed in the TCE in the field of the CFSP/ESDP. Nevertheless, as long as the period of reflection continuous and the fate of the TCE is undecided there are only minimal steps towards an anticipated implementation. This concerns the **European External Service** as well as the **Foreign Minister of the Union**, topics that are covered intensively in the chapter on the EU's role in the world (question 5).

When asked to name **upcoming issues on the national agendas** of the 29 countries that might over time also be uploaded to the EU level or influence decisions taken there many authors identified topics that are linked to external policies: minorities and neighbours (Hungary), immigration (Denmark, France, Ireland, Italy, Malta), Iraq troops (Italy), energy security (Austria, Latvia, Lithuania, Malta), becoming full member of the Schengen area (Bulgaria, Estonia, Latvia, Slovakia) and global/international governance (Finland, France).

While external factors increasingly seem to drive European integration and set priorities of action of the EU, **an attractive integration project** (à la Single Market or EMU) **is missing**. The goal to become a geostrategic actor cannot sufficiently mobilise political identification and resources and thus ensure political cohesion, legitimacy and effectiveness that is expected of the Union. As the Danish report puts it, the traditional vision of Europe as "a common project for peace is forgotten. Peace and security is not enough to justify the existence of the EU today. People are focused on how the EU affects their everyday lives, and on how they can benefit from it. The Foreign Minister describes this tendency towards a more utilitarian approach to the EU as 'tomorrow's Europe of realism in contrast to yesterday's Europe of idealism'."<sup>68</sup> The author

day's Europe of idealism'."<sup>68</sup> The author of the Hungarian report agrees: "Sixty years after World War II and sixteen years after the fall of the Berlin Wall, and given the ongoing peaceful unification of the continent, the need for and the mission of the EU must be reformulated and shared with the public."<sup>69</sup>

## Outlook: a fascinating, yet puzzling panorama

Following the trend of the previous rounds of enlargement pragmatism prevails regarding the direction of the integration process and its methods. The glue is missing and a visionary project of integration not in sight. At the beginning of 2006 the EU finds itself in a puzzling state of mind and with many loose endings. The scenario in which the EU is trapped is not an unlikely one. The many elections in the EU member states at the national or regional level (in at least 18 member states) in 2006/2007 also limit the room for manoeuvre. The **political crisis of the EU** is to a considerable extent the crisis of the member states with many weak governments and leaders. Still, glimpses of hope exist that the TCE will eventually be ratified and take effect.

The EU is looking for a **new balance** to cope with heterogeneity and diversity, to reconnect with the European citizens, to address the finalité issues and reconsider the meaning of what consolidation and limits of the EU will mean in the future and last but not least how to provide security and promote its ideas of and interests in global governance.

Countries that have **recently acceded** to the EU seem particularly **well equipped** to cope with change and the **demands of competitiveness**. Certainly, accession is only one condition, however it seems to be a crucial one because the preparation for membership demands a comprehensive package of modernisation measures that shakes up the whole state and economy. **New members** are on a path of reform and still have an **impetus for change** that others lack if they do not have an equivalent project and coherent programme that is able to mobilise and direct resources over a decade or so.

<sup>65</sup> Cf. e.g. the Austrian, Cypriot, German, Hungarian, Italian, Portuguese and Slovak chapters on the EU's Role in the World (question 5).

<sup>66</sup> Cf. e.g. the Irish and Latvian chapters on the EU's Role in the World (question 5).

<sup>67</sup> Cf. e.g. the Austrian, Bulgarian, Croatian, Dutch, Latvian, Luxembourgian, Portuguese, Slovak, Slovenian and Spanish chapters on the EU's Role in the World (question 5).

<sup>68</sup> Cf. the Danish chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 43.

<sup>69</sup> Cf. the Hungarian chapter on the Constitutional Crisis (question 1), EU-25 Watch No. 2, p. 61.

With regard to priorities and perspectives of the EU (2005-2009) there is some awareness that institutional reforms will be put on the EU's future agenda, with or without the TCE. In line with a **pragmatic approach** this is likely to be done case by case and with a rather **low level of ambition**. Besides security issues the goals and problems dealt with under the Lisbon process will become a top priority for the EU and its member states as well as for the acceding countries. **Both sides of Lisbon**, the competitiveness and social cohesion demands, are reflected in the country contributions. A debate on EU wide minimum standards and corridors for tax rates etc. will surely be discussed across the EU.

To analyse the mutually reinforcing effects of EU deepening and widening – this constitutes the main idea of EU-CONSENT, a network of excellence for joint research and teaching that stretches across Europe and which also provides the general framework for “EU-25 Watch”.<sup>70</sup> Throughout the analysis of the 29 reports on key issues such as the constitutional crisis and period of reflection, EU enlargement, the financial framework, the Lisbon Agenda or the EU's role in the world a lot of links, contradictions and ambiguities become apparent – a **fascinating, yet puzzling panorama** of details that allows each reader to follow an individual route through current European debates.

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<sup>70</sup> For more information regarding EU-CONSENT see the project's internet site on [www.eu-consent.net](http://www.eu-consent.net).

